



Refer to glossary for definition of the rating

Product Review

About this Product

Investment manager	ARK Investment Management LLC
Benchmark	MSCI AC World ex Australia TR Index AUD
Product structure	Managed Fund
Product size	\$69.70m
Inception date	Aug 2018
Asset class	Global Equities
Sector	Global Large Cap
Peer group	Fundamental Thematic
Rated peers	34

Product Characteristics

Business Life Cycle	Growing
Product Wind-Up Risk	Medium
Key Person Risk	High
Tenure of Decision Makers	Medium
Complex (RG240)	No
Strategy Remaining Capacity	US\$22.3bn
ESG Approach	No ESG Integration
Peer Relative Fees and Costs	Above median

Annual Fees and Costs (% p.a.)

Management fees & costs	1.35
Performance fee costs	0.00
Net Transaction Costs	0.00
Buy/Sell Spread	0.20/0.20
Annual fees and costs	1.35

Source: FE fundinfo

Strengths

- CEO/CIO Catherine Wood as leader of the strategy, is a highly experienced thematic investor.
- The Manager's Open Research Ecosystem is highly differentiated, seeking to capitalise on insights across multiple mediums.
- The investment team is well-grounded in disruptive technology and considered reasonably aligned to the performance of the firm and end investors.

Weaknesses

- The analyst team possesses limited co-tenure and team turnover has remained high.
- The increased number of fund offerings managed by the team could ensue additional strains on the investment team and presents further distraction to the strategy's management.
- The Fund's active trading approach is potentially disconnected from the Manager's longer term valuation forecasts.
- The Fund may be more susceptible to volatility and changes in market sentiment given its thematic/growth and all-cap investment approach.

Product Opinion

The Fund's rating has been maintained as 'Investment Grade'. CEO/CIO Catherine Wood is considered a highly experienced thematic investor. The Manager's Open Research Ecosystem is highly differentiated, capitalising on insights across multiple mediums, which is viewed positively. That said, increased number of fund offerings managed by the team could ensue additional strains on the investment team. Further weighing on conviction is the disconnect between the Fund's active trading approach and longer-term valuation forecasts, which will remain areas of focus in future reviews.

Lonsec Rating Model

Rating key: ●●● Above ●●● In-line ●●● Below

Factor	Peer Rating	YoY Score Change
Business	●●●	—
Team	●●●	—
Process	●●●	—
ESG	●●●	—
Product	●●●	—
Fees	●●●	—
Performance	●●●	—

Allocation Profile

Core		
Satellite		
	Low Complexity	High Complexity

Return Profile

Income		
Capital		
	Defensive	Growth

Key Facts

Key Objectives

Investment objective	To achieve a target average total return (before fees, expenses and taxes) of 10% to 15% per annum over a rolling five year period
Internal return objective	Absolute returns of 10-15% p.a. (before fees) over rolling five-year periods
Internal risk objective	No stated risk objective
Non-financial objective	None

Asset Allocation (%)

International Equities	99.80
Cash	0.20
Total	100.00

Source: FE fundinfo

Rating History

26-Apr-2023	Investment Grade
21-Apr-2022	Investment Grade
13-Apr-2021	Investment Grade

Product Distribution Profile

Frequency	Annually
Last Missed Distribution	30/06/2023
Number of Missed Distributions in the last 5 years	5
AMIT Election	Yes
TOFA Election	No

Top 10 Holdings (as at 31/07/2023)

	Weight (%)
ROKU INC	9.800
TESLA, INC.	7.980
COINBASE GLOBAL, INC.	6.920
ZOOM VIDEO COMMUNICATIONS INC	6.410
BLOCK, INC.	6.290
DRAFTKINGS INC.	4.320
UNITY SOFTWARE INC.	4.170
UIPATH INC	3.820
SHOPIFY INC. NPV SUBORDINATED A	3.480
TWILIO INC	3.480

Source: FE fundinfo

Target Market Determination

Produced by issuer	Yes
Provided to Lonsec	Yes

Performance Analysis - annualised after fees at 31/10/2023

	1 Year	Median	2 Year	Median	3 Year	Median	5 Year	Median
Performance (% p.a)	-5.05	7.41	-40.23	-3.42	-23.46	5.49	-1.14	9.14
Standard deviation	42.12	12.27	37.84	14.99	37.36	13.35	35.41	12.08
Excess return (% p.a)	-17.35	-4.31	-43.17	-7.35	-34.42	-4.67	-11.66	-0.78
Outperformance ratio (% p.a)	41.67	41.67	25.00	37.50	33.33	37.50	43.33	46.67
Worst drawdown (%)	-25.65	-8.02	-67.93	-23.17	-73.55	-21.80	-73.55	-22.30
Time to recovery (mths)	NR	NR	NR	-	NR	-	NR	NR
Sharpe ratio	-0.21	0.38	-1.12	-0.42	-0.67	0.31	-0.07	0.67
Information ratio	-0.47	-0.76	-1.33	-1.12	-1.07	-1.04	-0.39	-0.12
Tracking error (% p.a)	37.00	5.38	32.53	6.33	32.30	5.85	29.79	7.93

Lonsec Peer Group: Global Equities - Global Large Cap - Fundamental Thematic

Product Benchmark: MSCI AC World ex Australia TR Index AUD

Cash Benchmark: Bloomberg AusBond Bank Bill Index AUD

Time to recovery: NR - Not recovered, dash - No drawdown during period

Business



Facts

Investment Manager	ARK Investment Management LLC
Ultimate Parent Company	Investment team and staff
Headquarters	Florida, USA
% Staff Ownership	>50%
Inception Date	Jan 1973

Governance

% Independent board members	75
% Female board members	25
Independent chair	No
CEO as Chair	No
Separate Audit Committee	No

Who is the Manager?

ARK Investment Management ('ARK Invest' or 'the Manager') is a Florida-based investment firm that offers thematic-based global equity products. Founded in 2014, ARK Invest is the sub-investment manager for Nikko Asset Management Americas Inc ('Nikko AM Americas') and shares a strategic partnership with the Nikko AM Group, one of Asia's largest asset managers. The Fund has an external responsible entity/distribution partnership with Yarra Capital Management.

Lonsec Opinion

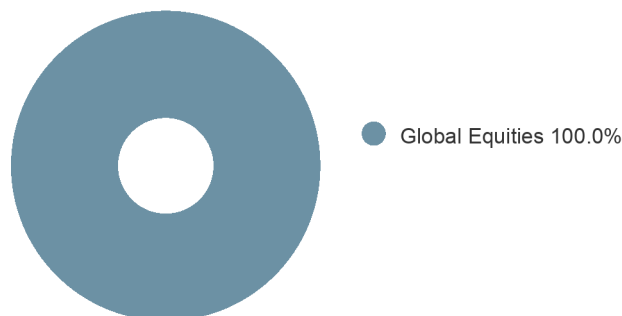
Profitability

The Manager is standalone profitable and well-capitalised. Earnings are bolstered by the AUM base of the broader group.

Business Track record

The firm has a reasonable track record since its founding in 2014, and has experienced rapid AUM growth in excess of A \$35bn in 2023.

AUM



Metrics

Investment Management Headcount	45
Investment Professionals	22
Sales & Service	11
Distributor	Yarra Capital Management
Total AUM	\$30.1T

Business Ownership

The Manager has a strong 'boutique' investment culture, aided by the majority of equity in the firm being held by founder Catherine Wood. The balance is held by investment staff and strategic partner the Nikko AM Group.

Business Governance

Business governance is in line with peers, with the firm having no recent regulatory findings. The firm has a reasonable governance framework, with a majority independent director representation on the board. Segregation of operational and investment duties is weaker relative to peers given Catherine Wood holds the position of CEO, CIO and Portfolio Manager, as well as a being a board delegate.

Team



Key Decision Makers (KDM)

	Primary function	Dedicated to strategy	Appointed to strategy	Industry/Mgr exp. (yrs)	Exp. in PM roles (yrs)
Cathie Wood	CIO	Yes	2014	46/10	20
Brett Winton	Strategy lead	No	2014	16/10	-
Tasha Keeney	Research	No	2014	12/10	-
Sam Korus	Research	No	2014	47/10	-
Frank Downing	Research	No	2021	3/3	-

KDM Change*

No changes.

* Last 3 years

Profile

Size	16
Structure	Decentralised
Turnover	Medium

Alignment

KDM equity held in manager	Yes
KDM co-investment in strategy	Yes
Performance-Based bonus	Yes
Long Term investment plan	No

Resources

	Number	Average Years Experience
Key decision makers	5	13.2
Portfolio Managers	2	7
Hybrid portfolio manager/ analysts	5	1.8
Dedicated analysts	4	3.7
Dedicated dealers		
Quantitative		
ESG/Sustainability		
Macro		
Investment Specialists		

Who is the Team?

Catherine Wood is Founder and CEO/CIO of ARK Invest. Prior to founding ARK Invest, Wood spent 12 years at AllianceBernstein as CIO Global Thematic Strategies. Brett Winton joined ARK Invest in February 2014 as Chief Futurist. Winton initially fulfilled the role as Principal and Founder at iamB Consulting, a firm that specialised in the ramifications of innovation and disruption for investors and high-growth ventures. Winton manages the analyst team of 12, who possess a mix of management consulting, venture capital and industry-based experiences across predominately healthcare and technology sectors.

The team is organised through the following disruptive innovation themes with a Director of Research leading each theme: Life Sciences, Autonomous Tech & Robotics, Fintech/Next Generation Internet and Crypto assets. Wood is supported in portfolio management efforts by Associate Portfolio Managers Dan White and Nick Grous. White and Grous were appointed in September 2022, noting that it is their inaugural portfolio management role.



Lonsec Opinion

Skill

Wood and Winton are well-experienced and capable investors, particularly given their track record in managing thematic capabilities. Broader analyst team investment experience is limited, albeit they possess a mix of relevant management consulting, venture capital and industry-based experiences across predominately healthcare and technology sectors.

Team Size

The team is reasonably sized relative to peers, albeit the senior investors of the team are responsible for oversight of a considerable number of strategies.

Track Record/Co-Tenure

Majority of the senior investors in the team have strong co-tenure, with a working relationship spanning a decade. Junior members of the team have weaker co-tenure relative to peers, this is partly a result of heightened analyst turnover in recent years.

Alignment

The remuneration structure comprises a mix of salary, non-financial benefits, merit-based bonuses and equity in the firm. Salaries are explained to be broadly in line with the industry average. The bonus pool is largely determined by the firm's profit with subjective qualitative factors also considered. All employees are eligible to be granted equity in the firm, which carries a three-year vesting period. Co-investment is voluntary, albeit material co-investments are in place.

Key Person Risk

Key person risk is high in both Wood and Winton. That said, Wood is considered to be highly aligned through her majority ownership of the firm and co-investment. Winton is also aligned via equity ownership albeit to a much lesser extent.

Process



What is the Investment Process?

The Manager applies a differentiated approach to investment management, using a highly transparent research process, and exhibiting a collaborative and open-minded culture when considering investments. The Manager's investment process is iterative, combining both top-down and bottom-up analysis. The Manager employs an 'Open Research Ecosystem' to identify and evaluate disruptive innovation, which differs markedly from traditional investment approaches. The Manager's approach seeks to capitalise on the convergence of insights across traditional sources, as well as online and social media interactions, and crowd-sourced insights. The investment team seek to leverage these insights, along with more formal relationships with thought leaders/experts in their respective fields. The approach is considered to be creative yet pragmatic given the complexity of the subjects and high degree of unknowns. The open research approach permeates the firm's culture, with each analyst seeking to drive discussion and thought leadership in their respective field within the industry and broader media.

Lonsec Opinion & Supporting Facts

Philosophy and Universe

Investment Type	Fundamental
Investment Approach	Bottom-up
Investment Style	Thematic
Typical market cap	All Cap
Minimum market cap	No Minimum
Available Universe	Global equities that are relevant to the theme of Disruptive Innovation

ARK Invest believes disruptive innovation is key to the long term growth of company revenues and profits. The Manager aims to identify large scale investment opportunities resulting from this innovation. Five major innovation platforms are believed to be driving the underlying technologies and investment opportunities – Artificial Intelligence, Energy Storage, Robotics, DNA Sequencing and Blockchain Technology. These broad themes in turn spur long-term investment opportunities centred on industrial, genomics, internet and fintech innovation, which include areas such as Autonomous Vehicles, 3D Printing, Digital Health, Gene Editing, Cloud Computing, Big Data, and Transactions Innovations among numerous others.

Research Process

Key screens	Top Down or Thematic
Screened universe	200
Idea generation	Theme developers who are thought leaders in their fields, social media interactions, and crowd-sourced insights as people respond to ARK's public research
Stocks researched	120
Annual manager meetings	170
Key research inputs	Company meetings, industry conferences, broker research, online and social media interactions, crowd-sourced insights with thought leaders/industry experts
Primary valuation approach	DCF

The investment process combines top-down thematic research with bottom-up fundamental analysis. Following the identification of disruptive innovation, the research process attempts to size the opportunity. The investment team seeks to understand the total addressable market, unit economics, learning curves/cost declines and elasticity of demand to identify entry points for each disruption. Through this process, candidate companies are identified that are best positioned to benefit from the disruption, at which point the bottom-up process begins. Analysts use a scoring system to evaluate candidate companies on six key metrics, with the scores for portfolio companies being updated during the team's weekly stock meetings. Any metric downgraded to six or below will trigger a full stock review.

Process (continued)



Portfolio Construction

Portfolio management structure	Portfolio Manager
Approach to benchmark	Benchmark Agnostic
Typical security numbers	45
Typical securities range	40-65
Typical portfolio turnover p.a.	75%
Typical active share	95%

The investment process is designed to be collaborative and ensure decision making harnesses the team's perspective. The team utilises a standardised scoring template in decision making, which provides a comparative analysis framework for all stocks. Wood has final accountability and retains ultimate decision-making authority regarding changes in the portfolio. Unlike some long-term thematic based peers, the Manager employs an active approach to its portfolio positioning in long-term growth companies and will be actively 'topping' and 'tailing' holdings based on a stock's expected return alongside analysts scoring of the company. That said, there is believed to be an element of disconnect between the long-dated investment horizon and short-term active trading around price targets.

Capacity Management

Capacity guidance	US\$25bn
Strategy AUM	\$4.0bn
Portfolio liquidity (1 week)	91.00%
Substantial holdings by manager	5
Strategy previously closed	No

At the firm level, ARK Invest managed US\$22.7bn in global equities as at September 2023. The Manager has previously completed an informal capacity study and estimated its capacity to be approximately US\$20-25bn. While the Manager highlighted the material increase in the size and composition of the investment universe since the study was completed, which should commensurately increase the estimated capacity, it is believed that the Manager's capacity may be lower due to the Fund's exposure to smaller market cap stocks and number of substantial shareholdings. Thus, the Manager may face significant challenges in liquidating smaller market caps stock positions without potentially incurring significant implicit costs, particularly in times of heightened market volatility and dislocations.

Investment Risk Management

Monitoring external to investment team	Yes
Frequency of monitoring	Daily
Primary risk management system	Bloomberg AIM/Factset
Security Limits (Min./Max.)	Hard Limit Absolute: 0-10%
Sector Limits (Min./Max.)	Unconstrained
Country Limits (Min./Max.)	Unconstrained
Non-index Allocation (Typical, Max.)	0%, 0%
Cash Allocation (Typical, Max.)	2%, 10%

The Fund is significantly unconstrained and is therefore reliant on the quality of the team to identify and manage investment risks with a focus on the six key metrics. The Fund is constructed with no regard to the benchmark, thus tracking error is not targeted and risks are predominantly managed through a combination of the Manager's top-down thematic research and bottom-up stock analysis. The Manager is considered to be generally risk seeking in nature and less focused on risk-adjusted returns, which investors need to be mindful of. Thus, the Fund is likely to exhibit higher levels of volatility and participate greater in market drawdowns. Albeit the liberal and flexible nature of the Fund is considered to be in keeping with the growth-oriented nature of the investment philosophy.

ESG



Manager Positioning

Responsible investment style	ESG Integration
ESG approach	No ESG Integration
Sustainability thematic	SDG Alignment
Non-financial objective	None

Sustainability Score

No score.

What is the Manager's ESG approach?

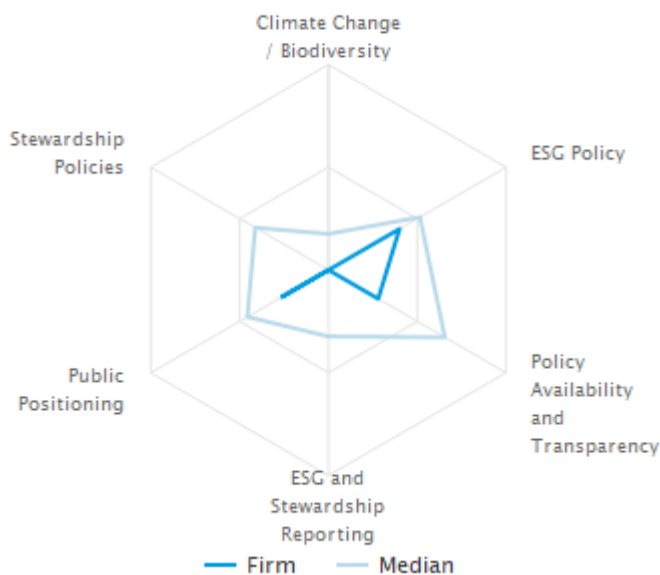
The Manager has indicated that they are not integrating ESG considerations into the investment strategy for this Fund.

Lonsec Opinion & Supporting Facts

Overview

ESG Process Score	Low
Responsible Investment strategy risk: Clarity, measurability & reporting	N/A

ESG Snapshot



Product Level Approach

The Manager does not source general external ESG data instead relying on collecting its own ESG data through company meetings and web sites. This is less robust than peers. There is no internal ESG research carried out by the Manager for this Fund. There is no relationship between ESG factors and the stock selection process. Portfolio level measurement or assessment of ESG risks is not evident. There are no signs that company engagement on ESG issues is a component of the Manager's current investment approach for this Fund.

Strategy: Clarity, Measurability & Reporting

This product does not make any specific claim to being a sustainable, ethical or impact offering. As such an alignment review does not apply to the product and thus its score for risk of misalignment is not applicable.

Manager Level Approach

The Manager's overall ESG policy framework and disclosure is viewed as lagging peers. The Manager has an articulated commitment to the integration of ESG within their investment process with evidence of public positioning. The updated ESG policy is freely available on the firm's website. While the policy outlines the importance of engagement and proxy voting activities, the Manager does not have an engagement or proxy voting policy in place. No reporting on engagement or voting outcomes is publicly available.

Product



Service Providers

Responsible entity	Yarra Funds Management Limited
Investment manager	Nikko Asset Management Americas Inc
Sub-investment manager	ARK Investment Management LLC
Custodian	Citibank
Administrator	Citibank
Fund Auditor	Deloitte
Change in Key Providers? (Over last 12 months)	No

Product Details

Product size	\$69.70m
Fund 12-month net flows	Negative
Distribution model	Affiliate
Buy/sell spreads	0.20%/0.20%
Investment structure	Feeder Fund
Product type	Registered Managed Investment Scheme (Unitised)
Currency hedged	Unhedged
Use of derivatives	No

What is the Product Structure?

The Fund is structured as a 'feeder fund' and gains exposure to the underlying strategy by investing in an AUD unit class of the Nikko AM ARK Disruptive Innovation Fund (Class U). The underlying fund is domiciled in Luxembourg under the European UCITS framework, and a sub-fund of the Nikko AM Global Umbrella Fund SICAV, which Nikko AM Americas is the investment manager and sub-advised by ARK Invest, a strategic partner of the Nikko AM Group. This Fund is a long only Global Equity product that can invest down the market capitalisation spectrum and in emerging markets.

Lonsec Opinion

Service Providers

The Manager has engaged large 'tier 1' service providers for critical functions such as custodial, administration and broking services. While the Fund uses a related party RE, there have not been any issues with this model since the Fund's inception.

Operational 'Red Flags'

There have been no operational red flags identified. Valuation policies are considered to be appropriate for the asset class.

Wind-up Risks

Wind-up risk is moderate given the small FUM of the product and track record of outflows in the broader strategy in recent years. Albeit a meaningful distribution strategy is in place via the Fund's affiliate partner and broader firm support somewhat mitigate this risk.

Fees

Annual Fees and Costs (% p.a.)

Management fees & costs	1.35
Performance fee costs	0.00
Net Transaction Costs	0.00
Buy/Sell Spread	0.20/0.20
Annual fees and costs	1.35

Source: FE fundinfo

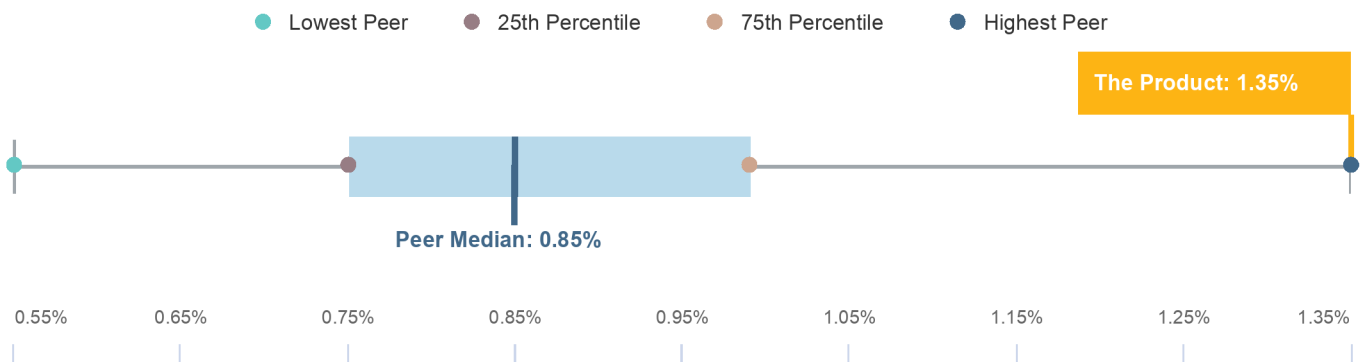
Performance Fees

Applicable	No
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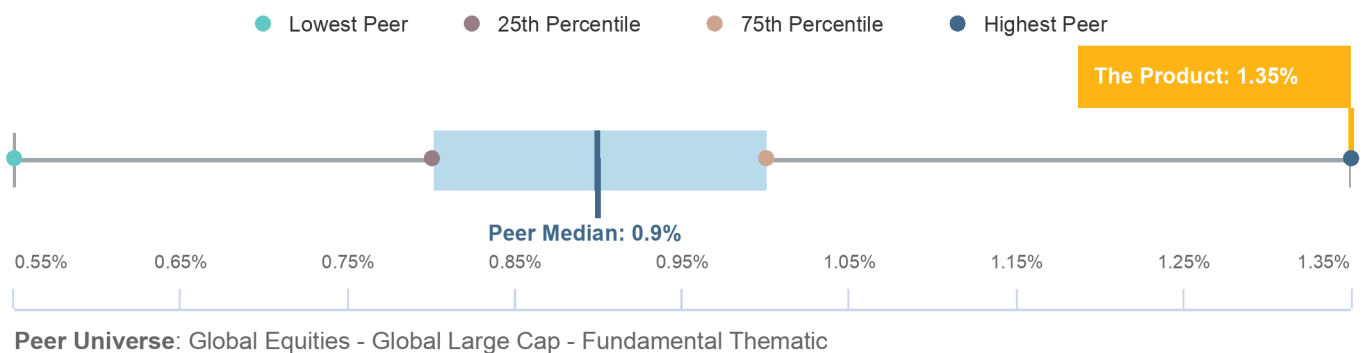
Fees Explained

The Fund's Management Fees and Costs component of its Annual Fees and Costs ('AFC') totals 1.35% p.a., as per the PDS dated 6 April 2022. There are no transaction costs and the Fund does not charge a performance fee.

Management Fees and Costs Peer Comparison (31/07/2023)



Annual Fees and Costs Peer Comparison (31/07/2023)



Lonsec Opinion

Annual Fees and Costs

The Fund's AFC of 1.35% is high relative to the peer group median.

Fairness

Fees are considered to be high relative to peers. Given the absence of a performance fee, total fees and costs are capped which provides certainty.

Performance data is as at 31 October 2023

Performance

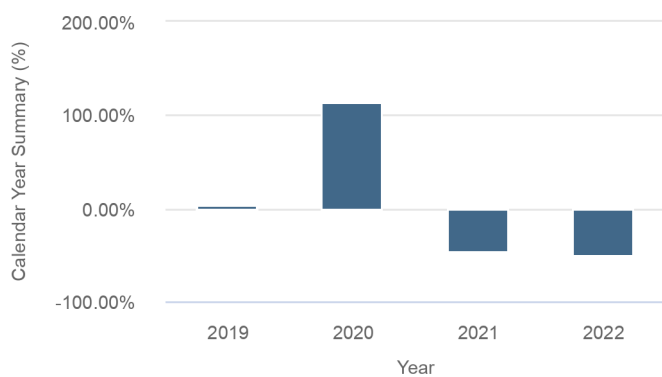
Performance Summary

PDS return objective	The Fund aims to achieve a target average total return (before fees, expenses and taxes) of 10% to 15% per annum over a rolling five year period
Internal return objective	Absolute returns of 10-15% p.a. (before fees) over rolling five-year periods
Internal risk objective	No stated risk objective
Product benchmark	MSCI AC World ex Australia TR Index AUD
Lonsec peer group	Fundamental Thematic

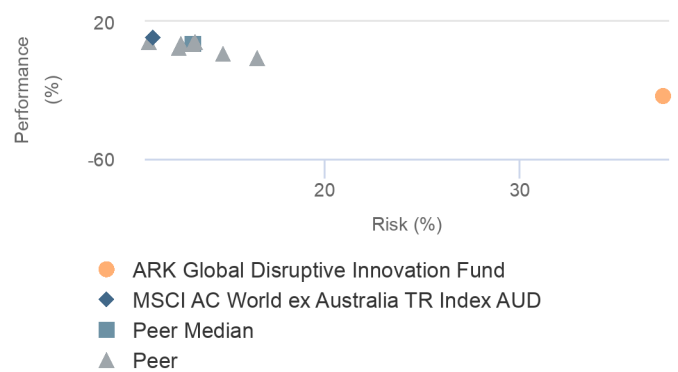
Alpha Generation

The Fund has not achieved its five-year investment objective, being significantly challenged in the 2022 financial year. As a result, all long-term rolling periods remain impacted by this short-term underperformance. Absolute performance in the short-term has somewhat improved, however, the Fund remains significantly behind the Benchmark and peer group median.

Calendar Year Excess Return



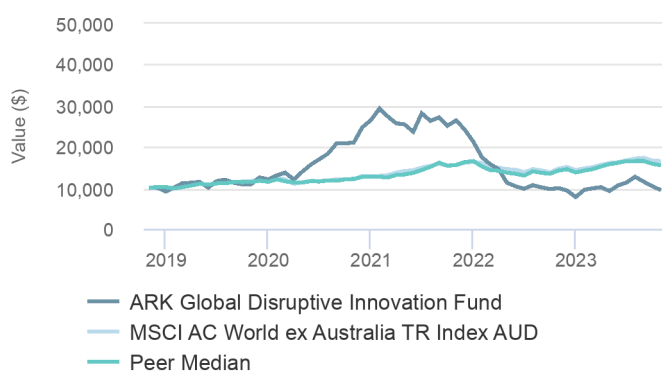
3 Year Risk and Return



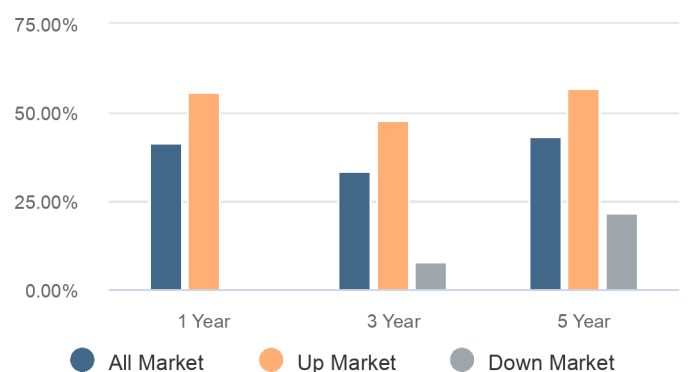
Alpha Consistency

Alpha consistency has been weak given a period of heightened underperformance in the 2022 financial year. Through all rolling periods observed the Fund has underperformed the Benchmark and peer group median.

Growth of \$10,000 Over 5 Years



Returns Consistency



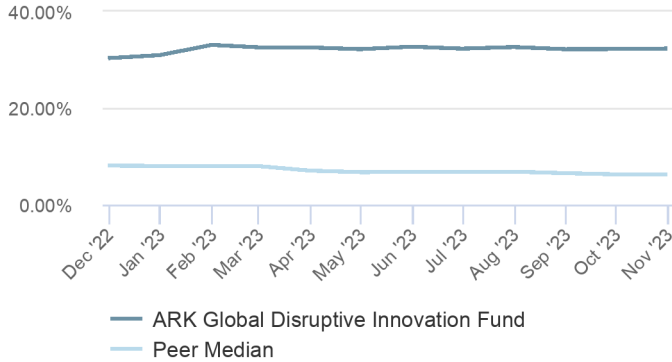
Performance data is as at 31 October 2023

Performance (continued)

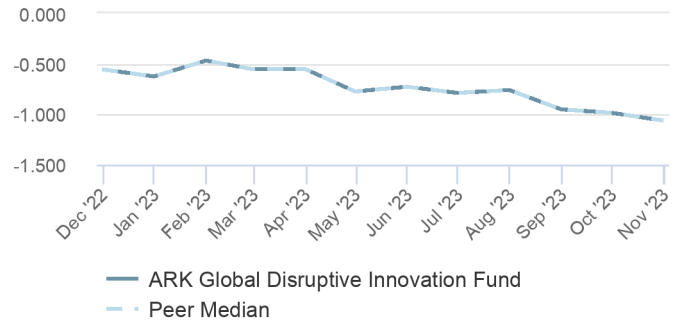
Benchmark Relativity

The underlying fund's active risk taking relative to the Benchmark as measured by tracking error of 32.3% p.a., over the rolling three years to 31 October 2023, was significantly higher than the peer median of 5.9% p.a. High levels of tracking error are a characteristic of the Fund over the long term.

3 Year Rolling Tracking Error Over 1 Year



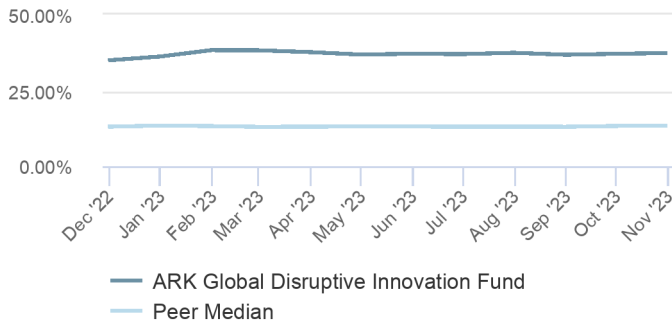
3 Year Rolling Information Ratio Over 1 Year



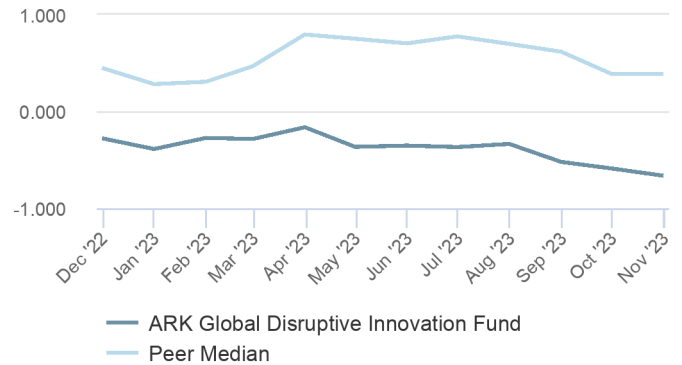
Return Volatility

The Fund's volatility as measured by standard deviation of 37.4% was significantly higher than the peer median of 13.4% over the rolling three years to 31 October 2023. Higher volatility is a characteristic of the Fund over the long term.

3 Year Rolling Standard Deviation Over 1 Year



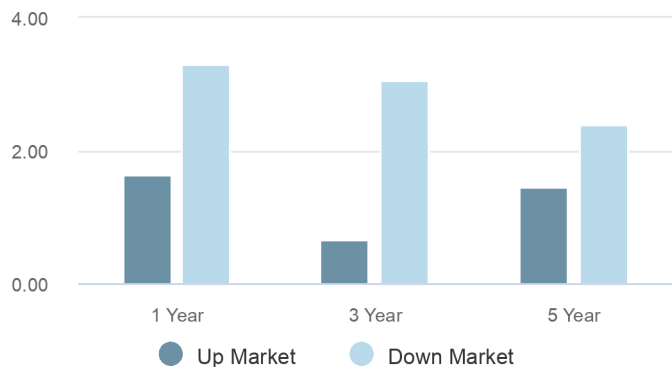
3 Year Rolling Sharpe Over 1 Year



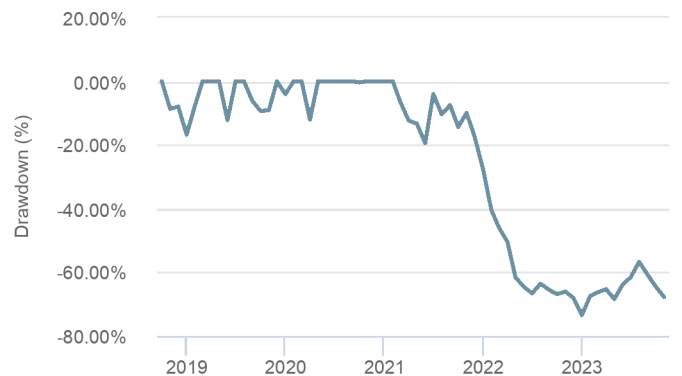
Product Defensiveness

The Fund's worst performance drawdown of -73.6% over the rolling three years to 31 October 2023 was significantly deeper than the peer median of -4.7% p.a., providing no downside protection over the long term.

Market Capture Ratio



Drawdowns



Ratings

'**Highly Recommended**' rating indicates that Lonsec has very strong conviction the product can meet its investment objectives.

'**Recommended**' rating indicates that Lonsec has strong conviction the product can meet its investment objectives.

'**Investment Grade**' rating indicates that Lonsec has conviction the product can meet its investment objectives.

'**Approved**' rating indicates that Lonsec believes the product can meet its investment objectives.

'**Not -Approved**' rating indicates that Lonsec does not believe the product can meet its investment objectives.

'**Closed / Wind Up**' status is applied when the product has been closed.

'**Fund Watch**' status is applied when a rating is under review due to the occurrence of a significant event relating to the product.

The '**Redeem**' rating indicates Lonsec no longer has sufficient conviction that the product can meet its investment objectives.

The '**Screened Out**' rating indicates Lonsec was unable to attain sufficient conviction that the product can meet its investment objectives.

'**Discontinued Review**' status is applied where a product issuer withdraws the product from the review process prior to completion, for any reason other than the product being closed or unavailable to investors.

The '**Ceased Coverage**' status is applied when a rated product is withdrawn from the research process by the product issuer.

General

Climate Change / Biodiversity: the extent to which a manager has a leading climate and biodiversity policies.

ESG and Stewardship Reporting: the transparency, accessibility and usefulness of a manager's reporting.

ESG Policy: the strength of commitment to ESG as ascertained by a review of a manager's ESG policies.

Excess return: Return in excess of the benchmark return.

Information ratio: Relative reward for relative risk taken (Excess Returns / Tracking Error).

Key decision maker (KDM): A nominated investment professional who has portfolio decision making discretion for a Fund, e.g. 'buy' or 'sell' decisions.

Market capture ratio: A product's performance during either 'up' or 'down' market trends relative to an index.

Policy Availability / Transparency: the ease of public access to, and transparency of, a manager's overall ESG policy suite.

Public Positioning: the resolve of a manager's commitment to ESG as ascertained by their public positioning.

Returns consistency: The proportion of a product's monthly outperformance during a period relative to the benchmark when it was rising, falling and in aggregate.

Sharpe ratio: Excess return earned for additional volatility experienced when holding riskier assets versus risk-free asset.

Standard deviation: Volatility of monthly Absolute Returns.

Stewardship Policies: the strength of a manager's proxy voting and engagement policies with respect to ESG.

Time to recovery: The number of months taken to recover the Worst Drawdown.

Total return: 'Top line' actual return, after fees.

Tracking error: Volatility of monthly Excess Returns against the benchmark (the Standard Deviation of monthly Excess Returns).

Worst drawdown: The worst cumulative loss ('peak to trough') experienced over the period assessed.

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Lonsec Research FSG

Financial Services Guide

Lonsec Research

9 June 2023

This Financial Services Guide (FSG) has been prepared and issued by Lonsec Research Pty Ltd ABN 11 151 658 561 (Lonsec Research, we, us, our), holder of Australian Financial Services Licence (AFSL) No. 421445, to assist you in determining whether to use our financial services and products. This is an important document, and you should read it carefully. The contents of this FSG are general information only and does not take into account your personal needs or objectives. Lonsec Research provides no warranty as to the suitability of the services of this FSG for any particular person.

1.1 What is a Financial Services Guide?

This FSG's purpose is to provide you with important information regarding services offered by Lonsec Research. You should read this FSG prior to using our services. This document was prepared to inform you about:

- who we are and our contact details;
- the financial services we provide;
- the remuneration that may be paid to us and other persons in relation to the financial services we provide;
- how we deal with conflicts of interest; and
- how we deal with complaints

1.2 About Lonsec Research and its related parties

Lonsec Research provides in-depth, investigative investment research across a broad range of listed and unlisted investments. Lonsec Research is a wholly owned subsidiary of Lonsec Holdings Pty Ltd (ABN 41 151 235 406) (Lonsec Holdings). Other subsidiaries of Lonsec Holdings include SuperRatings Pty Ltd (ABN 95 100 192 283), Implemented Portfolios Pty Limited (ABN 36 141 881 147) and Lonsec Investment Solutions Pty Ltd (ABN 95 608 837 583). All employees of the Lonsec group entities, including Lonsec Research, are employed by Lonsec Fiscal Pty Ltd (ABN 94 151 658 534).

Contact Details

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Level 39, 25 Martin Place

Sydney NSW 2000

Tel: 1300 826 395

Email: info@lonsec.com.au

www.lonsec.com.au

1.3 What kind of financial services can Lonsec Research provide?

Lonsec Research is authorised under its Australian Financial Services Licence to provide general financial product advice to retail and wholesale clients on the following types of financial products:

- securities
- deposit and payment products limited to basic product products
- derivatives
- interests in managed investment schemes including investor directed portfolio services
- superannuation
- retirement savings accounts
- foreign exchange products
- life products including:
- investment life insurance products as well as any products issued by a Registered Life Insurance Company that are backed by one or more of its statutory funds; and
- life risk insurance products as well as any products issued by a Registered Life Insurance Company that are backed by one or more of its statutory funds;

Lonsec Research is also authorised to deal in a financial product by arranging for another person to apply for, acquire, vary, or dispose of the above types of products for or by retail and wholesale clients.

1.4 Provision of general advice

Any advice that Lonsec Research provides is of a general nature and does not take into account your personal financial situation, objectives or needs. You should, before acting on the information, consider its appropriateness having regard to your own financial objectives, situation and needs and if appropriate, obtain personal financial advice on the matter from a financial adviser. Before making a decision regarding any financial product, you should obtain and consider a copy of the relevant Product Disclosure Statement or offer document from the financial product issuer.

1.5 How Lonsec Research is paid

Lonsec Research receives fees from Fund Managers and/or financial product issuers for researching their financial product(s) using comprehensive and objective criteria. Lonsec receives subscriptions fees for providing research content to subscribers including financial advisers, fund managers and financial product issuers. Lonsec Research's fees are not linked to the financial rating outcome of a particular financial product. Lonsec Research fees are determined by private agreement with its clients depending on a number of criteria including the number of financial advisors who access Lonsec Research publications, the range of publications accessed and the complexity of a specific research assignment.

Lonsec Research FSG (continued)

Due to the specific nature of its charges, disclosure of Lonsec Research fees may not be ascertainable when you receive this FSG, but you are able to request this information in writing before a financial service is provided to you. The fees received by Lonsec Research do not have an effect on the inclusion (or otherwise) of a financial product in portfolios managed by Lonsec Investment Solutions; or in approved product lists as a result of Lonsec Investment Solutions consulting activities. We do not have any direct employees as all employees are contracted, for employment purposes, with Lonsec Fiscal, a subsidiary of Lonsec Holdings. All employees of Lonsec are paid a salary and may receive a discretionary bonus which is not guaranteed. Sales employees may have a sales commission plan, relevant for sales to Wholesale clients, as offered by Lonsec Research from time to time at its discretion.

1.6 How do we manage our compensation arrangements?

Lonsec Research has Professional Indemnity insurance arrangements in place to compensate clients for loss or damage because of breaches of any relevant legislative obligations by Lonsec Research or its representatives which satisfy section 912B of the Corporations Act 2001.

1.7 What should you do if you have a complaint?

Lonsec Research's internal complaints handling process is designed to ensure that your concerns are treated seriously, addressed promptly and fairly. A complaint may be lodged either verbally or in writing and will be dealt with in strict confidence. If you have a complaint relating to Lonsec Research's products, services, its employees, the complaint should be addressed to:

Complaints Manager

Level 39, 25 Martin Place
Sydney NSW 2000

Tel: 1300 826 395

Email: complaints@lonsec.com.au

An individual may request further information about Lonsec Research's internal complaints handling procedure at any time. If an individual is not satisfied with the outcome of their complaint or has not received a response within 30 days from Lonsec Research, the individual can complain to the Australian Financial Complaints Authority (AFCA). AFCA provides an independent dispute resolution service and can be contacted on:

Online: www.afca.org.au

Email: info@afca.org.au

Phone: 1800 931 678

Mail:

Australian Financial Complaints Authority
GPO Box 3
Melbourne, Victoria, 3001.

1.8 Conflicts of Interest

Lonsec Research is aware of the inherent potential conflicts of interest associated with the provision of ratings and how we are remunerated for our services. There are a comprehensive set of policies, and procedures in place at Lonsec Holdings that apply to its subsidiaries including Lonsec Research.

Information barriers (both permanent and temporary) consistent with our regulatory obligations under Regulatory Guide 79 are in place to manage either perceived or actual conflicts of interest. Employees of Lonsec also have to abide by Personal Trading and Gifts and Entertainment requirements and are trained on these requirements from time to time.

Generation Development Group Limited (ACN 087 334 370), a shareholder of Lonsec Holdings, is the parent company of Generation Life Ltd who issue a series of products rated by Lonsec Research. Lonsec Research manages this potential conflict by disclosing to investors accessing our research of Generation Life related products, and implementing our comprehensive ratings process, information barriers and monitoring program. For more information refer to Lonsec Research Ratings Methodology available on our platform iRate or by contacting us on 1300 826 395.

Lonsec Holdings has appointed Australian Retirement Trust Pty Ltd ABN 88 010 720 840, AFSL 228975 as the provider of default superannuation services to its Group employees. Lonsec Holdings appointment of Australian Retirement Trust is not an endorsement of, or opinion on, the Fund.

Australian Retirement Trust is a subscriber to our services and pays a fee to us for this subscription service. Australian Retirement Trust rating and report is issued by an analyst who is aware of Australian Retirement Trust's appointment as default superannuation fund provider but who does not have a personal investment in the fund.

This FSG was prepared on 9 June 2023.